

CONSOLIDATED BALANCE SHEETS

(in thousands)	March 31, 2002 (Unaudited)	December 31, 2001 (Audited)
Assets		
Current assets:		
Cash	\$ -	\$ 396
Accounts receivable	5,180	4,684
Inventories	1,865	1,816
Prepaid expenses	124	18
	<u>7,169</u>	<u>6,914</u>
Deposits for capital assets	595	576
Capital assets	8,639	7,981
Long-term investment	113	163
	<u>\$ 16,516</u>	<u>\$ 15,634</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 1,190	\$ -
Accounts payable and accrued liabilities	4,329	4,767
Income taxes payable	247	189
Current portion of long-term debt	824	748
Current portion of obligations under capital leases	307	347
	<u>6,897</u>	<u>6,051</u>
Long-term debt	3,791	3,990
Obligations under capital leases	102	121
Future income taxes	1,243	1,169
Shareholders' equity:		
Share capital	1,932	1,923
Retained earnings	2,551	2,380
	<u>4,483</u>	<u>4,303</u>
	<u>\$ 16,516</u>	<u>\$ 15,634</u>

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

(in thousands, except per share and share data)	Three months ended March 31, 2002	Three months ended April 30, 2001
Sales	\$ 6,771	\$ 6,700
Cost of sales	5,394	5,438
Gross profit	1,377	1,262
Expenses:		
Selling and administrative	619	512
Amortization of capital assets	342	260
Interest	83	78
Other	30	24
	<u>1,074</u>	<u>874</u>
Income before income taxes	303	388
Provision for income taxes	132	129
Net income	171	259
Retained earnings, beginning of period:	2,380	2,309
Retained earnings, end of period	\$ 2,551	\$ 2,568
Average number of shares (*) outstanding		
Basic	30,935,002	30,665,002
Diluted	30,965,716	30,725,002
Basic and diluted earnings per share	\$ 0.006	\$ 0.008
Earnings before interest, taxes, depreciation and amortization (EBITDA)		
	\$ 728	\$ 726
Basic and diluted EBITDA per share	\$ 0.024	\$ 0.024

(*) Class A voting and Class B Series 1 non-voting shares

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three months ended March 31, 2002	Three months ended April 30, 2001
Cash flows from operating activities:		
Net income	\$ 171	\$ 259
Adjustments for:		
Amortization of capital assets	342	260
Future income taxes	74	30
Net change in non-cash operating working capital	(665)	(934)
	<u>(78)</u>	<u>(385)</u>
Cash flows from financing activities:		
Increase in bank indebtedness	1,190	699
Repayment of long-term debt	(123)	(116)
Repayment of obligations under capital leases	(59)	(54)
Issuance of share capital	9	113
	<u>1,017</u>	<u>642</u>
Cash flows from investing activities:		
Increase in deposits for capital assets	(19)	(42)
Purchase of capital assets	(1,366)	(171)
Partial redemption of long-term investment	50	-
Acquisition of business, net of cash	-	(44)
	<u>(1,335)</u>	<u>(257)</u>
Net decrease in cash	(396)	-
Cash, beginning of period	396	-
Cash, end of period	\$ -	\$ -
Supplemental cash flow information:		
Interest paid	\$ 84	\$ 77
Income taxes paid	-	100
Additions to capital assets included in accounts payable	366	(50)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(For the three months ended March 31, 2002 and April 30, 2001)

1. Significant accounting policies:

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The same accounting policies as described in the Company's latest Annual Report have been used, with the exception of the new accounting policy described in note 2. However, these consolidated financial statements do not include all disclosures required under GAAP and accordingly should be read in connection with the consolidated financial statements and notes thereto included in the Company's latest Annual Report.

2. Change in accounting policy:

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3870, "Stock-based Compensation and Other Stock-based Payments." This new section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It applies to transactions in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. Section 3870 encourages companies to apply the fair value based method of accounting to all employee stock-based compensation plans, but requires them to do so only for specific types of stock-based payments, of which the Company has none. Thus, this new standard has been applied prospectively.

Although enterprises are encouraged to apply the fair value based method of accounting to all awards, the new standard allows for no compensation cost to be recorded on the grant of stock options to employees. Therefore, the Company has elected to continue its existing policy of settlement accounting for its stock option plan. Under this policy, consideration paid by employees on the exercise of stock options or the purchase of stock is credited to share capital. Additional information regarding the stock option plan is presented in Note 12 of the Company's financial statements, included in the Company's latest Annual Report.

During the first quarter of 2002, the Company granted 20,000 options. Had the Company used the fair value based accounting method (the Black-Scholes model) to measure compensation, pro forma net income and pro forma basic and diluted earnings per share for the three months ended March 31, 2002, would have been \$170,000 and \$0.006, respectively. As permitted by the new recommendations, pro forma amounts exclude the effect of awards granted prior to January 1, 2002.

3. Comparative figures:

Certain comparative figures for the three month period ended April 30, 2001 have been reclassified to conform to the current period's presentation.

FROM THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

To our shareholders,

The Company reports net income for the three months ended March 31, 2002, of \$171,000, or \$0.006 per share, compared with net income of \$259,000, or \$0.008 per share, for the three months ended April 30, 2001. The results include those of Imaflex Inc. and its wholly owned subsidiary, Canslit Inc., which was acquired on March 29, 2001.

In the prior year, Imaflex changed its financial year end to December 31 from January 31 to harmonize with Canslit's year-end and to facilitate reporting in future years. Accordingly, the results for the first quarter are comprised of the months of January to March 2002. The previous year's first quarter is comprised of the results for the months of February to April 2001. As Canslit was acquired on March 29, 2001, the quarter's results for the current year include three months of its operations, whereas the quarter's results for the previous year include only one month of its operations.

Imaflex's extrusion operations generated net income of \$325,000 for the three months ended March 31, 2002 as compared to \$293,000 for the three months ended April 30, 2001. Canslit's metallizing operations incurred a net loss of \$154,000 for the three months ended March 31, 2002 as compared to a net loss of \$34,000 for the three months ended April 30, 2001.

Sales for the three months ended March 31, 2002 totaled \$6,771,000, compared with \$6,700,000 for the three months ended April 30, 2001, a slight increase of \$71,000 or 1.1%. Imaflex's sales decreased by \$491,000 to \$5,728,000, as a result of a planned shutdown and upgrade of manufacturing production equipment during the current quarter. Canslit's sales increased by \$562,000 to \$1,043,000, primarily as a result of an additional two months of sales during the quarter as compared to the prior year's quarter.

Gross profit for the three months ended March 31, 2002 was \$1,377,000 or 20.3% of sales as compared to \$1,262,000 or 18.8% of sales for the three months ended April 30, 2001. The increase is attributable to a higher level of operating margin at Imaflex.

FROM THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER (continued)

The income before income taxes for the three months ended March 31, 2002 was \$303,000 as compared to \$388,000 for the three months ended April 30, 2001. The decrease of \$85,000 is primarily attributable to Canslit's operating loss.

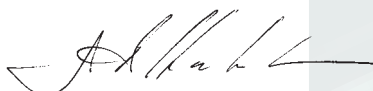
Notwithstanding the losses at Canslit's operations, the income tax provision reflects the taxes on the income generated by Imaflex's operations.

Management Outlook

As a result of the unexpected breakdown of certain key Canslit manufacturing equipment, the anticipated increase in sales necessary to turn around its operations did not materialize in the first quarter. A decision was taken by management to refurbish the equipment, which is expected to be fully operational by late May 2002. With this action, management believes it should be possible to generate the additional revenue stream necessary to achieve profitable targets.

The installation of additional extrusion equipment at Imaflex is proceeding as planned and is expected to be operational in June 2002. Management is confident that the increase in manufacturing capacity will result in further growth in Imaflex sales and profitability in the third and fourth quarters of 2002.

Sincerely yours,



Joseph Abbandonato
Chairman of the Board, President and Chief Executive Officer

CORPORATE PROFILE

Imaflex Inc. specializes in the manufacture and sale of custom-made polyethylene films suited for various packaging needs of our customers. These packaging films are either used directly by our customers to protect their own products, or used by customers who convert our film products into plain or printed bags of all types and/or into printed roll stock, in their own converting operations, to satisfy their own customer needs. Imaflex employs approximately 85 people in its manufacturing facility, located in Montréal, Québec. Imaflex recycles 100% of its own waste, the majority in house, thereby enhancing cost efficiency.

Canslit Inc., the wholly owned subsidiary, specializes in the metallization of numerous polymer-based products including polyester, nylon, polypropylene and polyethylene. This is accomplished through the application under vacuum conditions of a fine layer of aluminum vapors to the surface of the polymer-based film. Metallized films are generally used in the packaging of food products. However, these films are also being used in the insulation, photography, aerospace and numerous other industries. Canslit employs approximately 15 people at its manufacturing facility in Victoriaville, Québec.

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QUARTERLY REPORT

March 31, 2002

IMAFLEX
Committed to Excellence



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